

"(2) the excess inclusion (if any) under section 860E(a)(1)

for such taxable year.

"(b) COORDINATION WITH SECTION 172.—Any increase in the taxable income of any holder of the ownership interest or a high-yield interest in a FASIT for any taxable year by reason of subsection (a) shall be disregarded—

"(1) in determining under section 172 the amount of any net operating loss for such taxable year; and

"(2) in determining taxable income for such taxable year for purposes of the second sentence of section 172(b)(2).

"(c) COORDINATION WITH MINIMUM TAX.—For purposes of part VI of subchapter A of this chapter—

"(1) the reference in section 55(b)(2) to taxable income shall be treated as a reference to taxable income determined without regard to this section.

"(2) the alternative minimum taxable income of any holder of the ownership interest or a high-yield interest in a FASIT for any taxable year shall in no event be less than such holder's taxable income determined solely with respect to such interests, and

"(3) any increase in taxable income under this section shall be disregarded for purposes of computing the alternative tax net operating loss deduction.

"(d) AFFILIATED GROUPS.—All members of an affiliated group filing a consolidated return shall be treated as one taxpayer for purposes of this section.

"SEC. 860K. TREATMENT OF TRANSFERS OF HIGH-YIELD INTERESTS TO DISQUALIFIED HOLDERS.

"(a) GENERAL RULE.—In the case of any high-yield interest which is held by a disqualified holder—

"(1) the gross income of such holder shall not include any income (other than gain) attributable to such interest; and

"(2) amounts not includible in the gross income of such holder by reason of paragraph (1) shall be included (at the time otherwise includible under paragraph (D) in the gross income of the most recent holder of such interest which is not a disqualified holder.

"(b) EXCEPTIONS.—Rules similar to the rules of paragraphs (4) and (7) of section 860E(e) shall apply to the tax imposed by reason of the inclusion in gross income under subsection (a).

"(c) DISQUALIFIED HOLDER.—For purposes of this

section ~~the~~  
term ~~disqualified holder~~ means any holder other  
than ~~—~~

"(1) an eligible corporation (as defined in  
section  
860I(a)(2)) or

"(2) a FASIT.

"(d) TREATMENT OF INTERESTS HELD BY SECURITIES DEALERS. ~~—~~

"(1) ~~IN GENERAL. —~~ Subsection (a) shall not apply  
to  
any  
high-yield interest held by a disqualified holder if  
such holder  
is a dealer in securities who acquired such  
interest exclusively  
for sale to customers in the ordinary course of  
business (and  
not for investment).

"(2) CHANGE IN DEALER STATUS. ~~—~~

"(A) ~~IN GENERAL. —~~ In the case of a dealer in securities  
which is not an eligible corporation (as defined in section  
860L(a)(2)), if—